

**RESALE POWER GROUP OF IOWA
DES MOINES, IOWA**

**FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT
FOR THE YEARS ENDED
FEBRUARY 29, 2008 AND FEBRUARY 28, 2007**

RESALE POWER GROUP OF IOWA

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RESALE POWER GROUP OF IOWA

OFFICIALS

Administrative Board -

Terry Hershberger	President	Amana Society Service Company
Pat Stief	Vice-President	Traer Municipal Utilities
Warren McKenna	Secretary/Treasurer	Farmers Electric Cooperative
Dan Wilson	Member	Ogden Municipal Utility
Lori Glanzman	Member	Mount Pleasant Municipal Utilities
Gary Obbink	Member	City of Sibley
Jeff Ishmael	Member	Story City Municipal Utility

Others -

Kris Stubbs	Chief Administrative Officer	Resale Power Group of Iowa
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INDEPENDENT AUDITORS' REPORT

Resale Power Group of Iowa
Des Moines, Iowa

We have audited the accompanying financial statements of the Resale Power Group of Iowa as of and for the years ended February 29, 2008 and February 28, 2007. These financial statements are the responsibility of Resale Power Group of Iowa's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Resale Power Group of Iowa as of February 29, 2008 and February 28, 2007, and the changes in its financial position and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 15, 2008, on our consideration of Resale Power Group of Iowa's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Resale Power Group of Iowa has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

O'DONNELL, FICENEC, WILLS & FERDIG, LLP

August 15, 2008

By


Certified Public Accountant

RESALE POWER GROUP OF IOWA**STATEMENTS OF NET ASSETS
FEBRUARY 29, 2008 AND FEBRUARY 28, 2007**

ASSETS	2008	2007
Cash and Invested Funds -		
Operations	\$ 2,109,981	\$ 2,286,730
Transmission	16,635	15,907
User Fees	<u>8,362</u>	<u>7,995</u>
Total Cash and Invested Funds	2,134,978	2,310,632
Accounts Receivable	2,850,868	3,115,678
Collateral Deposit	297,484	-
Members Receivable for Transmission Investment	-	283,793
Property and Equipment, Net	<u>3,271</u>	<u>-</u>
 Total Assets	 <u>\$ 5,286,601</u>	 <u>\$ 5,710,103</u>
 LIABILITIES AND NET ASSETS		
Accounts Payable - Trade	\$ 2,511,826	\$ 3,021,593
Due to the Iowa Association of Municipal Utilities	-	5,182
Payroll Liabilities	<u>5,267</u>	<u>-</u>
Total Liabilities	2,517,093	3,026,775
 Net Assets -		
Unrestricted	2,769,508	2,683,328
 Total Liabilities and Net Assets	 <u>\$ 5,286,601</u>	 <u>\$ 5,710,103</u>

See Independent Auditors' Report and Notes to Financial Statements.

RESALE POWER GROUP OF IOWA

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED FEBRUARY 29, 2008 AND FEBRUARY 28, 2007**

	2008	2007
OPERATING REVENUES:		
Wholesale Energy Revenue	\$ 39,902,982	\$ 37,058,110
Total Operating Revenues	39,902,982	37,058,110
OPERATING EXPENSES:		
Wholesale Energy Expense	39,391,631	35,667,467
Consultant Expense	141,756	80,545
Legal Expense	65,590	36,155
Other Operating Expenses	356,946	253,087
Total Operating Expenses	39,955,923	36,037,254
Operating Income (Loss)	(52,941)	1,020,856
NON-OPERATING REVENUE:		
Interest Income	139,121	112,191
Change in Net Assets	86,180	1,133,047
Net Assets, Beginning of Year	2,683,328	1,550,281
Net Assets, End of Year	<u>\$ 2,769,508</u>	<u>\$ 2,683,328</u>

See Independent Auditors' Report and Notes to Financial Statements.

RESALE POWER GROUP OF IOWA

STATEMENTS OF CASH FLOWS **FOR THE YEARS ENDED FEBRUARY 29, 2008 AND FEBRUARY 28, 2007**

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Receipts from Wholesale Energy Sales	\$ 40,167,792	\$ 35,660,778
Cash Payments for Wholesale Energy Purchased	(39,902,371)	(33,864,603)
Cash Payments for Operating Expenses	<u>(562,416)</u>	<u>(368,887)</u>
Net Cash from Operating Activities	(296,995)	1,427,288
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash Paid for Member Transmission Investment	-	(293,637)
Cash from Members for Transmission Investment	283,793	9,844
Cash Paid for MISO Collateral Deposit	(297,484)	-
Cash Paid for Property and Equipment	(4,089)	-
Cash Received on Investment Earnings	<u>139,121</u>	<u>112,191</u>
Net Cash From Investing Activities	<u>121,341</u>	<u>(171,602)</u>
Increase (Decrease) in Cash and Invested Funds	(175,654)	1,255,686
Cash and Invested Funds, Beginning of Year	2,310,632	1,054,946
Cash and Invested Funds, End of Year	<u>\$ 2,134,978</u>	<u>\$ 2,310,632</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating Income (Loss)	\$ (52,941)	\$ 1,020,856
Changes in Operating Assets and Liabilities:		
Receivables (Increase) Decrease	264,810	(1,103,695)
Accounts Payable Increase (Decrease)	(509,767)	1,509,227
Due to Iowa Association of Municipal Association		
Increase (Decrease)	(5,182)	900
Payroll Liabilities Increase	5,267	-
Depreciation Expense	818	-
Net Cash from Operating Activities	<u>\$ (296,995)</u>	<u>\$ 1,427,288</u>

See Independent Auditors' Report and Notes to Financial Statements.

RESALE POWER GROUP OF IOWA
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. *Organization -*

Resale Power Group of Iowa (RPGI) was organized in 1986 pursuant to the provisions of Chapter 28E of the Code of Iowa. The purpose of RPGI is to obtain wholesale electric energy and transmission thereof and other related services, and otherwise act on behalf of, its members. Management is comprised of an administrative board selected from RPGI members and, for 2007, Iowa Association of Municipal Utilities (IAMU) personnel. During the year ended February 29, 2008, RPGI hired its own administrative staff.

RPGI members are either public or private agencies who are bound by the terms of the 28E agreement filed with the Iowa Secretary of State. RPGI's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

B. *Reporting Entity -*

The Governmental Accounting Standard Board (GASB) requires RPGI to consider if it has oversight or control over any other legal entities and has set forth criteria to consider such in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of an organization to impose its will on another organization or (2) the financial burdens on another organization. RPGI has no such oversight or control and therefore has no component units which meet the Governmental Accounting Standards Board criteria.

C. *Basis of Presentation -*

As a 28E organization, the accounts of RPGI are organized as a governmental entity with its activities reported as an enterprise fund. Enterprise funds are used to account for operations: (a) financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing goods or services on a continuing basis be financed or recovered primarily through user charges or, (b) where the governing body has decided periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

D. *Measurement Focus and Basis of Accounting -*

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

RPGI applies all applicable GASB pronouncements, as well as following pronouncements issued by the Financial Accounting Standards Board (FASB) on or before November 30, 1989, unless such pronouncements conflict with or contradict GASB pronouncements.

See Independent Auditors' Report.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. **Revenue Recognition -**

RPGL distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with its principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

F. **Budget -**

Resale Power Group of Iowa is not required by the Government Accounting Standards Board to and does not publish or approve a public budget. RPGL does, however, prepare an internal-use-only budget as required by Chapter 28E of the Code of Iowa.

G. **Use of Estimates -**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

H. **Cash and Invested Funds -**

Cash and invested funds (cash equivalents) for the purpose of reporting cash flows, consists of cash and funds in operating bank accounts, including Iowa Public Agency Investment Trust (IPAIT).

I. **Property and Equipment -**

Property and equipment are recorded at cost, and depreciation is provided using the straight-line method over the estimated useful lives of the assets. Major acquisitions and improvements are capitalized. Expenditures for maintenance, repairs and acquisitions of minor items are charged to earnings as incurred. Upon disposition, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reported in operations for the period.

J. **Income Taxes -**

RPGL is exempt from federal income taxes pursuant to Revenue Ruling 77-261, 1977-2 C B 45.

NOTE 2 - CASH AND INVESTMENTS

RPGL is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by RPGL; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

See Independent Auditors' Report.

NOTE 2 - CASH AND INVESTMENTS (Continued)

All monies deposited with Iowa Public Agency Investment Trust (IPAIT) are held in the IPAIT Diversified Portfolio. The balances totaling \$2,134,978 and \$2,310,632 for 2008 and 2007, respectively, are not FDIC insured as IPAIT is not considered a financial institution. Instead, IPAIT is a common law trust established under Iowa law which authorizes Iowa public agencies to jointly invest moneys pursuant to a joint investment agreement. IPAIT is registered under the Investment Company Act of 1940. Investments in IPAIT are not classified as to custodial credit risk.

NOTE 3 - COLLATERAL DEPOSIT

RPGI, as authorized agent for and on behalf of its participant members, entered into an unsecured pro rata guaranty with the Midwest Independent System Operator (MISO) for the provision of transmission, ancillary and related services. The maximum financial obligation of this instrument is limited to \$1,000,000. In the event that RPGI's maximum financial obligation exceeds \$1,000,000, RPGI will be required to place additional financial assurances with MISO in an amount equal to or greater than this additional credit exposure. Additional financial assurances may take the form of cash deposits or irrevocable standby letter of credit. As of February 29, 2008, RPGI's cash deposit with MISO was \$297,484.

NOTE 4 - PROPERTY AND EQUIPMENT, NET

At February 29, 2008 and February 28, 2007, the cost and accumulated depreciation of property and equipment are as follows:

	2008	2007
Office Furniture and Equipment	\$ 4,089	\$ -
Total Cost	4,089	-
Less Accumulated Depreciation	818	-
Property and Equipment, Net	<u>\$ 3,271</u>	<u>\$ -</u>

NOTE 5 - SERVICE AGREEMENT

RPGI has a service agreement with Ameren Energy Marketing Company (Ameren), whereby Ameren provides delivery of electric energy capacity to RPGI through December 31, 2008. RPGI has agreed to purchase certain minimum megawatt-hours of energy from Ameren. In turn, RPGI has executed electric services agreements with its participating members to utilize the energy provided by Ameren pursuant to the service agreement.

NOTE 6 - RELATED PARTY TRANSACTIONS

In 2007 Resale Power Group of Iowa paid Iowa Association of Municipal Utilities (IAMU) an administrative fee for services performed. Total fees to IAMU for the year ended February 28, 2007 were \$10,045. No such fees were paid for the year ended February 29, 2008.

NOTE 7 - OTHER CONTINGENCIES

There are legal proceedings against RPGI. While it is not presently possible to predict or determine the outcome of these proceedings, it is the opinion of management that their outcome will have no material adverse effect on the financial position of RPGI.

See Independent Auditors' Report.

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AUDITS OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCES WITH GOVERNMENT AUDITING STANDARDS

Resale Power Group of Iowa
Des Moines, Iowa

We have audited the financial statements of the Resale Power Group of Iowa (RPGI) as of and for the years ended February 29, 2008 and February 28, 2007, and have issued our report thereon dated August 15, 2008. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered RPGI's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of RPGI's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of RPGI's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed in the schedule of finding as item (A), we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects RPGI's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood a misstatement of RPGI's financial statements that is more than inconsequential will not be prevented or detected by RPGI's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by RPGI's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether RPGI's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the RPGI's operations for the years ended February 29, 2008 and February 28, 2007, are based exclusively on knowledge obtained from procedures performed during our audits of the financial statements of the RPGI. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

RPGI's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the responses, we did not audit RPGI's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the members and customers of RPGI, and other parties to whom it may report and is not intended to be and should not be used by anyone other than these specified parties.

O'DONNELL, FICENEC, WILLS & FERDIG, LLP

August 15, 2008

By _____
Certified Public Accountant

RESALE POWER GROUP OF IOWA
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED FEBRUARY 29, 2008

Findings Related to the Financial Statements

SIGNIFICANT DEFICIENCIES:

- (A) Segregation of Duties - An important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One person has control over each of the following areas for the Organization:

- (1) Accounting system - record keeping for revenues, expenses and related reporting.
- (2) Receipts - collecting, depositing, journalizing and posting.
- (3) Disbursements - receiving invoices, entering into accounts payable, signing checks, and paying the bills.

Recommendation - We realize segregation of duties is difficult with only one office employee. However, the Organization should review its operating procedures to obtain the maximum internal control possible under the circumstances. We specifically recommend that a designated Board member directly receive and review the unopened bank statements from the bank. The Board should continue to receive detailed cash receipts and disbursement reports.

Response - Due to the having only one office employee, segregation of duties is very difficult. However, we will have a board member directly receive and review the unopened bank statements.

Conclusion - Response accepted.

INSTANCES OF NON-COMPLAINE:

No matters were noted.

Other Findings Related to Required Statutory Reporting

- (1) Questionable Expenses - No expenses that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- (2) Travel Expense - No expenditures of money for travel expenses of spouses of Resale Power Group of Iowa officials or employees were noted.
- (3) Board Minutes - No transactions were found that we believe should have been approved in the Administrative Board minutes but were not.
- (5) Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa were noted.